

Message Text

CONFIDENTIAL

PAGE 01 DOHA 01413 01 OF 02 201249Z
ACTION NEA-10

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 ISO-00 SS-15 SP-02
EB-07 INR-07 NSC-05 CIAE-00 TRSE-00 /080 W
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R 201215Z DEC 76
FM AMEMBASSY DOHA
TO SECSTATE WASHDC 2136
INFO AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY CARACAS
AMEMBASSY JAKARTA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 DOHA 1413

S/S FOR S/CL

E.O. 11652: GDS
TAGS: OPEC, ENRG, QA
SUBJ: OPEC MINISTERIAL: REVIEW OF CONFERENCE WITH QATARI
MINISTER OF PETROLEUM

REF: DOHA 1336, DOHA 1397

SUMMARY: I HAVE REITERATED US DISPLEASURE OVER OPEC PRICE
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PAGE 02 DOHA 01413 01 OF 02 201249Z

DECISION TO QATARI MINISTER OF FINANCE AND PETROLEUM, SHAYKH
ABDUL AZIZ BIN KHALIFA AL THANI WHO STOUTLY DEFENDED PRICE HIKE
AS JUST AND FAIR. HE DESCRIBED TWO PHASE INCREASE AS GIVING "BREAK"
TO NEW ADMINISTRATION TO PERFORM ON MID EAST AND NORTH/SOUTH
DIALOGUE, IMPLYING THAT FIVE PERCENT INCREASE JULY 1 MIGHT BE
RECONSIDERED IF WE SHOW PROGRESS. MINISTER DISCOUNTED POSSIBILITY

OF DISRUPTION OF OIL PRICE AND PRODUCTION SITUATION AS RESULT OF OPEC SPLIT, AND NOTED SAUDIS TOO TIED OIL PRICE TO PROGRESS ON MID EAST AND NORTH/SOUTH DIALOGUE. ABDUL AZIZ ASKED THAT WE OPEN "NEW PAGE" IN US-GOQ RELATIONS BY INAUGURATING HIGH LEVEL DIALOGUE IN FORMAL FRAMEWORK. HE MADE IT CLEAR THAT WE HAD SUFFERED ON OPEC PRICE DECISIONS FOR OUR NEGLECT OF QATAR, BUT THAT IN FUTURE WE COULD COUNT ON STAUNCH QATARI SUPPORT IF WE PAY SUFFICIENT ATTENTION TO OUR RELATIONS WITH GOQ. END SUMMARY.

1. ON DEC 20 I MET WITH GOQ MINISTER OF FINANCE AND PETROLEUM, SHAYKH ABDUL AZIZ BIN KHALIFA AL THANI, TO REVIEW EVENTS OF DEC 15-17 OPEC MINISTERIAL IN DOHA. I CONGRATULATED ABDUL AZIZ ON EXCELLENT ARRANGEMENTS GOQ HAD MADE FOR CONFERENCE, NOTING THAT LARGE AMERICAN PRESS CONTINGENT AND OTHERS HAD BEEN UNIFORMLY LAUDATORY ABOUT FACILITIES. I SAID, HOWEVER, I COULD NOT RPT NOT CONGRATULATE HIM ON THE SUBSTANTIVE RESULTS OF THE CONFERENCE.

2. ABDUL AZIZ THEN ASKED HOW USG SAW RESULTS. I SAID WHITE HOUSE STATEMENT WHICH DESCRIBED PRICE RISE OF THE ELEVEN AS IRRESPONSIBLE AND ARBITRARY SPOKE FOR ITSELF. I NOTED THAT PRESIDENT'S COMMENTS WERE CONSISTENT WITH US POSITION THAT I HAD EXPLAINED TO HIM REPEATEDLY DURING PAST WEEKS, I.E. THAT NO PRICE RISE WARRANTED AND INCREASE WOULD DAMAGE PRODUCERS, CONSUMERS, DCS AND LDCS ALIKE. AS HE KNEW , USG HAD EXPRESSED ITS APPRECIATION FOR RESTRAINT OF SAUDIS AND UAE.

3. ABDUL AZIZ VIGOROUSLY DEFENDED INCREASE AGREED UPON BY "THE ELEVEN" AS "JUST AND FAIR". HE SAID OVERWHELMING MAJORITY HAD WANTED 15 PERCENT HIKE FROM JAN 1, BUT TWO PHASE INCREASE WAS DESIGNED TO GIVE NEW US ADMINISTRATION TIME TO PERFORM ON MID CONFIDENTIAL

CONFIDENTIAL

PAGE 03 DOHA 01413 01 OF 02 201249Z

EAST AND NORTH/SOUTH ISSUES. ALTHOUGH ABDUL AZIZ ACKNOWLEDGED THAT FIVE PERCENT INCREASE ON JULY 1 WAS AUTOMATIC, HE IMPLIED THAT THIS COULD BE REVIEWED DEPENDING ON MID EAST AND NORTH/SOUTH PROGRESS IN PERIOD BETWEEN JANUARY AND JULY. I INTERJECTED THAT AS ABDUL AZIZ AWARE, BOTH USG AND PRESIDENT-ELECT HAD REJECTED ANY TIES BETWEEN OIL PRICES AND NORTH/SOUTH AND/OR MID EAST PROBLEMS. I ASKED ABDUL AZIZ IF HE THOUGH THERE ANY CHANCE FOR INTERIM OPEC MINISTERIAL BETWEEN NOW AND JULY TO REVIEW PRICE SITUATION, AND HE SAID HE SAW NO POSSIBILITY OF THIS. IN RESPONSE TO QUERY WHETHER THERE HAD BEEN ANY TIME DURING CONFERENCE WHEN ACCEPTABLE COMPROMISE OF TEN PERCENT INCREASE FOR ONE YEAR WAS POSSIBLE, ABDUL AZIZ RESPONDED IN NEGATIVE. (COMMENT: THIS CONTRADICTS AN IRANIAN ACCOUNT - DOHA 1404. END COMMENT).

4. I ASKED ABDUL AZIZ HOW HE SAW PRICE AND PRODUCTION SITUATION DURING COMING MONTHS AS RESULT OF SPLIT OPEC DECISION AND YAMANI'S

STATEMENT ABOUT REMOVAL OF SAUDI PRODUCTION CEILING. HE REPLIED THAT ALTHOUGH IT REMAINED TO BE SEEN WHAT WOULD HAPPEN, HE WOULD DISCOUNT SAUDI EXPANDED PRODUCTION FACTOR SINCE FOR TECHNICAL REASONS IT WOULD TAKE ALMOST A YEAR FOR IT TO EXPAND SIGNIFICANTLY ENOUGH TO MAKE AN IMPACT ON SUPPLY SITUATION. IN THIS CONTEXT, HE NOTED THAT SAUDI STAND DIRECTLY PEGGED TO QUID PRO QUO ON MID EAST AND NORTH/SOUTH DIALOGUE AND, THEREFORE, IF OUR PERFORMANCE NOT RPT NOT SATISFACTORY, SAUDIS MIGHT ADJUST PRICES UPWARD.

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PAGE 01 DOHA 01413 02 OF 02 201311Z

ACTION NEA-10

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C O N F I D E N T I A L SECTION 2 OF 2 DOHA 1413

5. I NOTED SURPRISE OF ALL OBSERVERS THAT QATARIS HAD CHOSEN TO STAND AGAINST SAUDIS, GIVEN EXTREMELY CLOSE FRATERNAL TIES IN ALL FIELDS BETWEEN TWO COUNTRIES, AND OUR PREVIOUS UNDERSTANDING THAT IN FINAL ANALYSIS GOQ WOULD GO ALONG WITH SAG. ABDUL AZIZ BRISTLED, AND ASSERTED THAT GOQ IN NO ONE'S POCKET AND HAD HELD TO ITS "JUST" DEMANDS WHILE RESPECTING VIEWS AND

RIGHTS OF OTHERS TO DIFFER. HE DODGED SEVERAL OTHER QUESTIONS ON THIS SUBJECT, AND FINALLY ASKED THAT I NOT PURSUE IT SINCE IT WAS "POLITICAL MATTER" BEYOND HIS COMPETENCE AS MINISTER OF FINANCE AND PETROLEUM. I REMARKED THAT WE SHOULDN'T KID OURSELVES
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PAGE 02 DOHA 01413 02 OF 02 201311Z

ABOUT POLITICAL ASPECTS OF OPEC DECISIONS.

6. ABDUL AZIZ CONCLUDED DISCUSSION WITH ANOTHER PITCH FOR CLOSER US-GOQ TIES WITHIN A FORMAL CONSULTATION FRAMEWORK-- "LET US OPEN A NEW PAGE IN OUR RELATIONS, PUTTING ASIDE PAST RECRIMINATIONS AND DIFFERENCES." HE URGED THAT WE FORM A "COMMITTEE OR COMMISSION" UNDER WHICH UMBRELLA THERE CAN BE FREQUENT HIGH LEVEL EXCHANGES BETWEEN HIMSELF AND HIS COUNTER-PARTS IN TREASURY AND ENERGY AREAS OF USG. HE NOTED THAT HE HAD TRIED REPEATEDLY DURING HIS VISITS TO U.S. TO MEET WITH SECRETARY, SECRETARY SIMON, AND OTHER SENIOR US OFFICIALS, AND HIS FAILURE TO DO SO HAD BEEN MOST FRUSTRATING TO HIM. HE ALSO REMARKED ON NON-VISITS OF HIGH LEVEL USG PERSONALITIES TO QATAR ALTHOUGH THEY WERE FREQUENTLY IN THIS AREA. HE SAID HE REALIZED THAT QATAR WAS SMALL AND RELATIVELY UNIMPORTANT, BUT THAT IT EARNESTLY SOUGHT CLOSER TIES WITH U.S. AND THAT WE SHOULD CONSIDER THIS A FORMAL REQUEST TO SET UP A MECHANISM FOR HIGH LEVEL EXCHANGES. ABDUL AZIZ STATED THAT ALTHOUGH GOQ APPRECIATED MY PRESENCE AND ACTIVE DIALOGUE BETWEEN IT AND EMBASSY, IT WANTED TO ESCALATE RELATIONS INTO FRAMEWORK WITHIN WHICH ALL SUBJECTS SUCH AS TECHNOLOGY TRANSFER, TECHNICAL ASSISTANCE, TRADE--NOT JUST OIL PRICES--COULD BE DISCUSSED. HE ACKNOWLEDGED THAT PERHAPS NOTHING CONCRETE IN THE WAY OF "AGREEMENTS" WOULD COME OUT OF THESE DISCUSSIONS, BUT CONTINUING HIGH LEVEL DIALOGUE WAS ESSENTIAL TO MUTUAL UNDERSTANDING. HE ASSURED THAT ONCE THIS IN PROCESS, USG WOULD FIND THAT GOQ NOT ONLY HEARD ITS VIEWS, BUT FULLY UNDERSTOOD THEM AND APPRECIATED THEM IN DEPTH SO THAT WHEN NEXT CRUNCH ON OIL PRICES OR OTHER ISSUE THAT INVOLVED BOTH COUNTRIES CAME UP WE COULD BETTER COUNT ON GOQ BEING ON OUR SIDE.

7. I TOLD ABDUL AZIZ I WOULD REFER HIS REQUEST FOR FORMAL FRAMEWORK FOR HIGH LEVEL EXCHANGES TO THE DEPT WITH MY STRONG ENDORSEMENT. I CAUTIONED HIM THAT TRANSITION PERIOD AND SHAKEDOWN PERIOD FOR NEW ADMINISTRATION WOULD DELAY CONSIDERATION OF HIS REQUEST, BUT THAT I WAS CERTAIN IT WOULD RECEIVE SYMPATHETIC HEARING.

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PAGE 03 DOHA 01413 02 OF 02 201311Z

8. COMMENT: ABDUL AZIZ HAS REPEATEDLY ARTICULATED THIS REQUEST FOR FORMAL MECHANISM FOR ESCALATING US-GOQ DIALOGUE, AND

REFRAIN IS FAMILIAR ONE FROM OTHER SENIOR QATARI OFFICIALS, INCLUDING FOREIGN MINISTER. IT IS A SIMPLE CRY FOR RECOGNITION AND ATTENTION, AND I BELIEVE OUR CONTINUED NON-RESPONSE HAS HAD ITS PRICE, MOST RECENTLY IN OPEC. WE MUST DO SOMETHING WITH THE QATARIS, NO MATTER HOW COSMETIC OR NON-SUBSTANTIVE, TO REQUITE THEIR DESIRE FOR HIGH LEVEL DIALOGUE WITH US, OR RISK EROSION OF THE BASIC GOODWILL STILL AVAILABLE TO US HERE. I WILL BE MAKING SPECIFIC SUGGESTIONS IN THIS AREA EARLY IN NEW YEAR. ABDUL AZIZ'S REQUEST FITS IN PERFECTLY WITH MY RECOMMENDATION IN DOHA 1397. IN A SENSE, HE HAS PRE-EMPTED THE INITIATIVE I SUGGESTED WE TAKE, AND THIS REINFORCES MY VIEWS ON THE BENEFITS WHICH COULD ACCRUE FROM THIS APPROACH.

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